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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A RULING RELATING TO ITS 2016 DEMAND SIDE MANAGEMENT IMPLEMENTATION PLAN.	DOCKET NO. E-01345A-15-0182 **AMENDED APPLICATION**

Arizona Public Service Company (APS or Company) filed its Demand Side Management Plan for 2016 on June 1, 2015 in accordance with A.A.C. R14-2-2405. The Plan outlined APS's plans to continue to work toward compliance with the Energy Efficiency Standard (EES) of 22% by 2020 as set forth in A.A.C. R14-2-2404. With this filing, APS withdraws its previously submitted Plan and submits the attached Amended Plan. With its Amended Plan, APS seeks approval of five new measures and will continue its existing portfolio of cost effective programs, including those set forth in its 2015 Application (2015 Plan) filed March 20, 2015 in Docket No. E-01345A-15-0095. The new measures assist in managing demand during peak operating times for the

system – a characteristic that APS will continue to promote through the programs and measures expected to be submitted in its 2017 DSM Implementation Plan. The Amended Plan seeks the same budget as 2015, including the funds set aside for the Schools Pilot and will continue the Demand Side Management Adjustor Charge (DSMAC) at its current levels. Below is APS's proposed energy savings goal for 2016 and a brief overview of the five new measures requested. The Amended Plan is attached as Exhibit A.

I. DEFINING A PATH TOWARD COMPLIANCE WITH THE EES BY 2020

The Amended Plan is designed to obtain first year energy savings in 2016 of 562,000 MWh. These anticipated savings, combined with the on-going savings to date from measures installed in 2011 through 2015, comprise nearly 12% of APS's 2015 retail sales, which is the benchmark contained in the Energy Efficiency Rules (EE Rules). APS is on track and making good progress toward compliance with the overall EES of 22% by 2020.

The EE Rules contemplate that between 2016 and 2020 a utility will obtain incremental energy savings of 2.5% per year, which for APS is predicted to be a total of 3,905,000 MWh over the five year period. Starting in 2016, utilities may begin counting toward compliance a percentage of their pre-EE Rule energy savings. The amount of the credit varies by year—starting at 7.5% of pre-rule savings in 2016 and escalating to 32.5% in 2020. Because the amount of the pre-rules credit varies substantially over the five year period, the amount of additional MWh needed each year to meet the incremental benchmarks from 2016 to 2020 also varies substantially. This variance affects the amount of new energy savings that a utility must obtain on an annual basis and causes it to be substantially higher in 2016 than in 2020.

APS proposes to smooth out the path to compliance and proposes a goal for 2016 of 562,000 MWh. *See* Exhibit A at Table 1 on p. 2 for an illustration of how that goal for 2016 was derived. This approach allows APS to avoid large year-to-year budget

variations in attaining the overall savings goal, which benefits all customers, as well as participating consumers and the marketplace with more consistency of message and program offerings.

A. APS Requests the Same Budget and DSMAC as 2015

APS requests a budget of $68.9 million (plus the $2 million approved in 2015 to support the Schools Pilot program) to support its 2016 energy efficiency programs. APS is proposing no change to the current DSMAC rates, which are currently set at $0.001845 per kWh and $0.696 per kW.

II. PROPOSED CHANGES TO PORTFOLIO FOR 2016

A. Residential Energy Efficiency Programs

With the exception of the Shade Tree Program that was suspended at the end of 2014 and remains suspended and the Appliance Recycling Program that was canceled because the vendor ceased operations, APS will continue its existing portfolio of residential energy efficiency programs in 2016. These programs have high customer involvement and satisfaction and are anticipated to provide approximately 217,000 MWh of annual energy savings in 2016.

APS proposes three cost-effective changes to its portfolio of residential EE program. The proposed changes are outlined below and discussed in detail on pages 3-5 of the Amended Plan:

- An incentive of up to 75% of the installed cost, up to a maximum of $100 for installation of smart thermostats by residential customers will be deployed;
- Minor enhancements to the Conservation Behavior Program, including event based messages designed to get participating customers to reduce their demand and energy usage during times of high demand; and

- An incentive of up to 75% of the installed cost, for an average $70/unit, for installation of Western Cooling Control Devices will be deployed in the residential HVAC program.

As requested, APS evaluated solar water heating systems for potential inclusion in its energy efficiency portfolio, but given the high costs and limited savings, this program does not currently pass the societal cost test and APS has not proposed adding it to its portfolio.[1]

B. Non-Residential Energy Efficiency Programs

APS has five non-residential energy efficiency programs that are marketed under the trade name APS Solutions for Business. The Solutions for Business program comprises over 400 individual measures and is projected to generate first year energy savings in 2016 of 217,400MWh depending upon customer participation.

For 2016, APS proposes to continue its existing cost effective programs and measures and add the following new programs or measures:

- A prescriptive incentive of $15 per lamp for customers that change out their linear fluorescent lamps to high efficiency LED linear lamps;
- A prescriptive incentive of up to $60 per unit for non-residential customers who install a smart thermostats;
- A prescriptive incentive of up to 75% of the installed cost, for an average $70/unit, for installation of Western Cooling Control Devices; and
- A prescriptive incentive of up to $300 for installation of HVAC Electronically Commutated Motors.

[1] Decision No. 74949 (February 9, 2015), in the Company's 2015 Renewable Energy Standard Implementation Plan proceeding, required APS to consider proposing solar water heating as an energy efficiency measure rather than a renewable energy program after the renewable incentives expire at the end of 2015.

CONCLUSION

APS respectfully requests that the Commission expeditiously approve this Amended Application and APS's Amended Plan in its entirety, specifically including the following:

1. Approve the inclusion of smart thermostats and Western Cooling Controls for both residential and non-residential program portfolios as described in APS's Amended Plan;
2. Approve the inclusion of enhancements to the Conservation Behavior Program as described in APS's Amended Plan;
3. Approve the addition of HVAC EC motors and high efficiency LED linear lamps in the Solutions for Business Program as described in APS's Amended Plan;
4. Approve APS's requested budget and request to continue the DSMAC at current levels; and
5. Approve APS's proposed 2016 energy savings goal.

RESPECTFULLY SUBMITTED this 1st day of April 2016.

By: Melissa M. Krueger
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Attorneys for Arizona Public Service Company

ORIGINAL and thirteen (13) copies of the foregoing filed this 1st day of April 2016, with:

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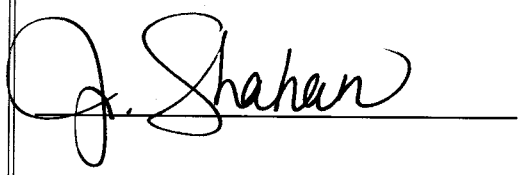

Arizona Public Service Company

Demand Side Management Implementation Plan for 2016

AMENDED April 1, 2016

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I. Introduction

By Arizona Corporation Commission ("Commission" or "ACC") rule,[1] Arizona Public Service Company ("APS" or "Company") is expected to achieve cumulative energy savings of 22% of its retail sales with Energy Efficiency ("EE") and Demand Response ("DR") programs by 2020. APS's Amended 2016 Demand Side Management (DSM) Implementation Plan ("Plan") outlines how APS intends to continue its compliance with the EE Rules and Commission Orders regarding EE and DR programs, consistent with A.A.C. R14-2-2405. The APS EE program portfolio includes a balanced mix of programs targeted to address APS's diverse customer segments and market opportunities to both Residential and Non-Residential customers. These programs are expected to produce cost effective energy consumption and demand savings in 2016 and in the long term. For 2016, APS intends to continue all previously approved and cost-effective programs and seeks approval for five new measures, as outlined in this Plan.

Highlights of the Plan

- Continue EE and DR programs approved in the 2015 DSM Implementation Plan.[2]
- Propose a 2016 goal of 562,000 Megawatt Hours.
- Propose five new or expanded EE/DR measures: smart thermostats (both residential and non-residential), Western Cooling Control Device (both residential and non-residential), behavioral demand response (residential), HVAC EC motors (non-residential), and linear LED lighting (non-residential).
- Maintain $68.9 million budget (plus the additional $2 million for Schools Pilot) and maintain the current DSM Adjuster Clause (DSMAC).

APS found all of the current programs and proposed new measures to be cost effective (as measured by the Societal Cost Test using ACC methodology).

2016 Estimated Savings Goal

Table 1 below provides a 5-year look at the estimated energy savings that will be needed to meet compliance with the Energy Efficiency Standard ("EES") by 2020. Based on current forecasts of retail sales, it will take approximately 3,905,000 MWhs of incremental energy efficiency savings from 2016-2020 to meet EES compliance based on a goal of achieving 22% of 2019 retail energy sales by the end of 2020.

Row six in Table 1 below shows the annual savings from 2016-2020 that would result from using the annual percentage savings targets (shown on row two) in the EE Rules. Note that the path to compliance using this approach is very uneven, with APS required to ramp up savings significantly in 2016 only to then ramp programs back down to meet lower goals from 2017-2020.

As an alternative method to setting the goal for 2016, APS proposes an annual savings target of 562,000 MWhs, which was calculated by dividing the total savings needed to meet EES

[1] A.A.C. R-14-2-2404.
[2] Decision No. 75323 (December 25, 2015).

compliance in 2020 by the five year remaining timeframe, as can be seen on row 7 of Table 1. Beyond 2016, future annual savings targets will be addressed in subsequent DSM Plans.

Table 1

Calculating 2016 Estimated Savings Goal

	Program Year	2015**	2016	2017	2018	2019	2020
1	Projected Retail Sales (MWh)*	27,661,698	27,904,566	28,357,791	28,907,142	29,467,496	29,947,215
2	Cumulative Annual EES Savings Targets (%)	9.50%	12.00%	14.50%	17.00%	19.50%	22.00%
3	Cumlative EES Savings (MWh)	2,578,312	3,319,404	4,046,162	4,820,824	5,636,893	6,482,849
4	Annual EES Savings Targets	552,069	741,092	726,758	774,662	816,068	845,956
5	Less Credit for Pre-EES Savings	-	84,993	169,986	226,648	283,310	328,955
6	Annual EES Savings Goals (MWh)	552,069	656,099	556,772	548,014	532,758	517,001
7	APS Proposed Annual Savings Goal (MWh)	552,069	562,129	562,129	562,129	562,129	562,129
8	Total Cumulative Savings - APS Proposed	2,578,312	3,225,434	3,957,549	4,746,326	5,591,765	6,482,849
9	Cumulative EES Savings (%)	9.55%	11.66%	14.18%	16.74%	19.34%	22.00%

*Excludes line losses and sales to Freeport McMoran facilities that are exempt from the EES.

** 2015 Annual EES Savings of 552,069 MWhs is the actual DSM savings achieved in 2015.

Therefore, this Plan is targeted to save an estimated first year 562,000 MWh of energy (rounded to the nearest 1,000 MWh), which is equivalent to almost 12% of retail sales for 2015, when added to 2011 through 2015 actual reported EE savings. APS expects to achieve savings of 434,000 MWh from EE programs, 56,000 MWh from DR programs, 35,000 MWh from Codes and Standards, and 37,000 MWh from APS System Savings.

The EE Rules require that the Company's Plan include a description of APS's compliance with the requirements of the EE Rules for the previous calendar year.[3] APS's EE program results for 2015 are fully described and documented in the Company's Demand Side Management Annual Progress Report ("2015 DSM APR"), which APS filed with the Commission on March 1, 2016.[4]

Both the original Plan and this Amended Plan were discussed with members of the DSM Collaborative group whose membership includes EE experts and stakeholder representatives, as well as Commission Staff.

[3] A.A.C. R14-2-2405(B).

[4] *See* Docket No. E-00000U-15-0553

II. Energy Efficiency Portfolio

APS estimates this DSM Portfolio, which includes EE and DR programs, will produce first year savings of 562,000 MWhs of energy from the measures installed in 2016. These savings, together with the savings estimated to be achieved from measures installed in 2011 through 2015, are equal to almost 12.0% of APS's 2015 retail sales.

APS's existing EE program portfolio includes the following programs:

Residential Programs

(1) Consumer Products;
(2) Existing Homes HVAC;
(3) Home Performance with ENERGY STAR;
(4) Residential New Construction;
(5) Low Income Weatherization;
(6) Conservation Behavior;
(7) Multi-Family Energy Efficiency;
(8) Pre-Paid Energy Conservation Program

Non-Residential Programs (Solutions for Business)

(1) Large Existing Facilities;
(2) New Construction and Renovation;
(3) Small Businesses;
(4) Schools; and
(5) Energy Information Services

Energy Savings Initiatives

(1) Building Codes and Appliance Standards
(2) APS System Savings Initiative

APS intends to continue the above programs as approved in the 2015 DSM Implementation Plan.[5] This Plan only addresses the five new or expanded measures for which the Company is seeking approval, which assist in managing demand during peak operating times for the system

[5] Decision No. 75323 (November 25, 2015)

A. RESIDENTIAL PROGRAMS

1. Consumer Products Program

a. New Measure: Smart Thermostats – APS proposes to include a new measure within the Consumer Products Program to promote Smart Thermostats. These Internet enabled 'learning capable' smart thermostats are an emerging technology with the potential to fundamentally change how customers interact with their HVAC system, offering convenient features that customers can use to manage their demand and energy use. A recent study of 89 California households with smart thermostats found that homes saved an average of 6% on their overall energy bills during the summer months, with some homes realizing up to 17% energy savings.[6] These thermostats overcome the challenges of earlier programmable thermostats by using technology to automatically adjust thermostat settings and optimize HVAC operation by learning users' patterns over time.

APS is proposing to offer incentives to encourage customer adoption of this technology. Incentives will be made available for thermostats purchased through retail channels and/or installed by HVAC or home performance contractors. Each qualifying smart thermostat that is installed and activated at an APS customer's residence within the APS service territory would be eligible for an incentive of up to 75% of the incremental installed cost (as compared to a standard programmable thermostat) up to a maximum of no more than $100 per thermostat. Incentives may be paid directly to customers or through participating manufacturers, retailers, or contractors.

This measure is cost effective with a benefit/cost ratio of 1.55.

Smart thermostats also offer additional capabilities for smart grid enabled automated demand response (ADR) where thermostat settings can be automatically adjusted based on rate signals. Although APS has no plans to utilize these thermostats in a demand response (DR) capacity at this time, they are DR enabled. Encouraging deployment will allow APS to build a DR ready infrastructure that can be leveraged as needed in the future, offering significant additional benefits to smart thermostat deployment that are not being included in the current benefit/cost results.

2. Existing Homes Program – Heating Ventilating Air Conditioning ("HVAC")

a. New Measure: APS proposes to add the Western Cooling Control Device as a new measure within the residential HVAC program (and also for small business customers within the Solutions for Business program). The Western Cooling Control Device is a simple piece of equipment that can be installed on new or older existing HVAC equipment, which helps to optimize equipment operation for the arid Southwest climate. The device simply sets a delay of up to 5 minutes for the air handler fan to continue operating after the HVAC compressor cycle has shut off. This allows the unit to benefit from 'free cooling' by circulating air over the coil while it is still cold. Since this technique is not as appropriate for humid climates, HVAC manufacturers do not set up units coming out of the factory to optimize operation for the

[6] Ben Ho, (2014). *Understanding Energy Efficiency Benefits from Smart Thermostats in Southern California.*

Southwest, so the western cooling control adds this feature, saving up to 10% of AC costs, even in brand new units. The Western Cooling Control Device has been part of the NV Energy HVAC program for several years, with many thousands of units successfully installed. APS proposes to work with contractors to encourage installation of the devices, and to offer an incentive of up to 75% of the installed cost, for an average $70/unit. This is a relatively low cost HVAC measure that can offer cost effective savings for the largest residential energy end use.

This measure is cost effective with a benefit/cost ratio of 1.12.

3. Conservation Behavior Program

a. Expanded Measure – APS plans to test event-based messaging to approximately 47,000 customers who currently receive reports through the conservation behavior program with the specific goal of achieving peak demand reductions and added energy efficiency savings during the highest system peak days of the year, known as Behavior Demand Response. Within 24 hours preceding a day during which system demand is expected to peak, APS will send these customers a communication (*i.e.* e-mail or voice recording or opt-out options based on customer preference) informing them that demand for energy is likely to spike the following day during specified hours. Customers will be asked to reduce their energy usage during those hours and household-specific tips are provided. Within a few days after the peak event, customers will receive feedback informing them how much they reduced their usage during the event compared to their neighbors in similar dwellings. By drawing on the same behavioral principles that have proven successful at driving energy efficiency savings, APS plans to test whether such tactics can be targeted during specific times of peak demand in order to achieve increased energy savings and maximize the impact on peak capacity needs.

The impact of each proposed new or expanded residential measures are summarized below:

	Western Cooling Control	Smart Thermostats	Conservation Behavioral plus Demand Response
Avg. Annual Savings/Unit	593 kWh	548 kWh/Unit	225 kWh/Unit
Customer Incentive	Avg. $70	Avg. $75	$0
Customer Payback	2 years	2.3 years	N/A
Societal Benefit to Cost	1.12	1.55	1.03

4. Previously Approved Residential Programs

APS is not proposing any modifications or new measures to the programs listed below:

(1) Home Performance with ENERGY STAR® Program
(2) Residential New Construction Program
(3) Limited Income Weatherization Program
(4) Multifamily Energy Efficiency Program
(5) Prepaid Energy Conservation Program (per Decision No. 75323 on November 25, 2015), the Prepaid Energy Conservation Program will be suspended as of December 31, 2016 in preparation for a new billing system to be installed at APS.

B. NON-RESIDENTIAL PROGRAMS

APS currently has five Non-Residential Programs that are marketed under the trade name APS Solutions for Business: Large Existing Facilities Program; New Construction Program; Small Business Program; Schools Program; and Energy Information Services Program. To help achieve the energy savings for 2016, APS proposes to add the following new prescriptive measures:

1. HVAC Measures

The following three new HVAC technologies are proposed to be added to the Solutions for Business program.

HVAC EC Motors: Traditional fans move air across the evaporator and condenser coils using shaded pole ("SP") or permanent split capacitor ("PSC") motors, which tend to be extremely inefficient. An energy efficient alternative is to employ an Electronically Commutated (EC) motor. EC motors can reduce energy usage by 65% or more. The APS Solutions for Business program currently includes an EC motor incentive for refrigeration systems, but not HVAC systems. This measure will expand the EC motor incentive to include HVAC systems. The HVAC EC motor application will yield energy savings and is cost effective.

Smart Thermostats: APS proposes to include a new measure within Solutions for Business to promote Smart Thermostats. These Internet enabled 'learning capable' thermostats are an emerging technology with the potential to fundamentally change how customers interact with their HVAC system, offering convenient features that customers can use to manage their energy use. By learning and adapting to usage patterns over time, these thermostats optimize HVAC operation and offer very cost effective energy savings. Similar to the residential smart thermostat measure, these thermostats also offer potential future demand response opportunities that may provide additional benefits.

Western Cooling Control: APS proposes to add the Western Cooling Control Device as a new measure within the Solutions for Business program. Please see the technology's description on page four. APS proposes to work with contractors to encourage installation of the devices, and to offer an incentive of up to 75% of the installed cost, for an average $70/unit. This is a relatively low cost HVAC measure which can offer cost effective savings for non-residential packaged HVAC units.

The impacts of each of the new HVAC measures for the Solutions for Business program are summarized below:

	HVAC EC Motors	Smart Thermostats	Western Cooling Controls
Savings versus Standard	11%	10%	11%
Customer Incentive	$300/Motor	$60/T Stat	$70/Unit
Customer Payback	4.2 years	2.6 years	2.1 years
Societal Benefit to Cost	1.3 – 1.6	1.3 – 1.6	1.3 – 1.5

2. Lighting

LED Linear Lighting: Many APS customers have recently been changing out their linear fluorescent lamps to high efficient LED linear lamps. The Solutions for Business program has evaluated these projects under the custom measure and have paid rebates for these measures. APS recommends adding the LED linear lamp as a prescriptive measure. This measure will yield energy savings and is cost effective.

The impacts of this new measure for the Solutions for Business program are summarized below:

	Linear LED
Savings versus Standard	45%
Customer Incentive	$15/Lamp
Customer Payback	5.5 years
Societal Benefit to Cost	1.1

C. OTHER EE INITIATIVES

a. Planned 2016 System Savings Projects - In 2016, planned System Savings projects for which APS plans to claim energy savings include upgrades to selected community streetlights throughout the APS service territory, the installation of Conservation Voltage Reduction systems on additional APS feeders in 2016, and energy efficiency upgrades to APS facilities similar to the projects completed in 2015.

b. Building Codes and Appliance Standards - The Energy Codes and Appliance Standards ("C&S") Initiative encourages energy savings by supporting better compliance with energy codes and appliance standards in jurisdictions throughout the APS service area by working with code officials, building professionals and other market actors to develop strategies for achieving better code compliance more cost effectively. In 2016, APS intends to begin tracking energy savings associated with the new 14 SEER HVAC southwest regional appliance standard. APS has been working with HVAC contractors, homebuilders and other trade allies to educate them on the upcoming standard which is set to take effect July 1, 2016.

III. Demand Response and Load Management Programs

APS proposes to continue current demand response and load management programs including the APS Peak Solutions® program, and marketing/measurement of DR rates. APS plans to meet 10% of the overall 2016 DSM energy savings goal from DR programs and rates.

IV. Budget

A. ENERGY EFFICIENCY BUDGET

Table 2 (below) shows the anticipated 2016 EE spending by program. The budget in this Plan represents the estimated spending required to meet the 2016 EE savings goal of 562,000 MWh. These projections are based on APS's best estimates of market penetration for each program measure. Table 2 includes the budget, spending by program, and the estimated annual MWh savings. APS was able to add the five new measures without increasing the annual budget by shifting previously allocated costs and because the Appliance Recycling Program was terminated unexpectedly after the vendor, JACO, ceased business operations.

B. DEMAND SIDE MANAGEMENT ADJUSTMENT CHARGE

APS is proposing no change to the current DSMAC rates, which are currently set at $0.001845 per kWh and $0.696 per kW.

Table 2
APS Energy Efficiency Programs
2016 Estimated Budget

Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implement	Program Marketing	Planning & Administration	Financing	Program Total Cost	Est. Annual MWh Savings
Residential									
Consumer Products	$6,357,000	$32,000	$77,000	$2,260,000	$650,000	$550,000	$0	**$9,926,000**	**109,700**
Residential HVAC	$4,097,000	$150,000	$100,000	$1,533,000	$210,000	$366,000	$0	**$6,456,000**	**14,200**
Home Performance	$2,892,000	$15,000	$0	$905,000	$200,000	$100,000	$0	**$4,112,000**	**7,700**
New Construction	$4,545,000	$100,000	$15,000	$325,000	$225,000	$470,000	$0	**$5,680,000**	**10,500**
Appliance Recycling	$0	$0	$0	$100,000	$0	$0	$0	**$100,000**	**0**
Limited Income	$2,523,000	$15,000	$25,000	$50,000	$35,000	$78,000	$0	**$2,726,000**	**1,500**
Conservation Behavior	$0	$0	$0	$1,577,000	$0	$90,000	$0	**$1,667,000**	**61,400**
Multi-Family	$1,123,000	$0	$10,000	$700,000	$10,000	$166,000	$0	**$2,009,000**	**9,400**
Pre-Paid Conservation	$0	$3,000	$0	$7,000	$1,000	$62,000	$0	**$73,000**	**2,600**
Totals for Residential	**$21,537,000**	**$315,000**	**$227,000**	**$7,457,000**	**$1,331,000**	**$1,882,000**	**$0**	**$32,749,000**	**217,000**
Non-Residential									
Large Existing	$14,356,000	$566,000	$53,000	$4,565,000	$1,000,000	$656,000	$ 20,000	**$21,216,000**	**167,000**
New Construction	$2,066,000	$71,000	$18,000	$408,000	$98,000	$115,000	$0	**$2,776,000**	**23,800**
Small Business	$945,000	$95,000	$13,000	$630,000	$75,000	$95,000	$5000	**$1,858,000**	**12,400**
Schools	$1,213,000	$23,000	$14,000	$640,000	$75,000	$55,000	$0	**$2,020,000**	**14,100**
Energy Info. Systems	$55,000	$10,000	$2,000	$24,000	$5,000	$3,000	$0	**$99,000**	**100**
Totals for Non-Residential	**$18,635,000**	**$765,000**	**$100,000**	**$6,267,000**	**$1,253,000**	**$924,000**	**$25,000**	**$27,969,000**	**217,400**
Segment Totals	**$40,172,000**	**$1,080,000**	**$327,000**	**$13,724,000**	**$2,584,000**	**$2,806,000**	**$25,000**	**$60,718,000**	**434,400**
% of Cost By Category	**66%**	**2%**	**1%**	**22%**	**4%**	**5%**	**0%**	N/A	N/A

Program Costs	**$60,718,000**	**434,400**
APS System Savings	$0	36,500
Codes and Standards	$150,000	34,900
Demand Response	$2,902,000	56,200
Measurement, Evaluation & Research	$2,100,000	N/A
Performance Incentive	$3,030,000	N/A
TOTAL*	**$68,900,000**	**562,000**

*An additional $2 million in funding was approved in Decision No. 75323 (November 25, 2015) for the Schools Pilot Program.

V. Performance Incentive

The Performance Incentive is an important tool that provides an incentive to encourage and reward exemplary performance of the DSM portfolio. The current Performance Incentive structure was approved in Decision No. 74406. The Performance Incentive is earned based on the amount of energy saved and the amount of customer net benefits (total program benefits minus total program costs) generated by the portfolio, as shown in Table 3. The Performance Incentive calculation does not include any net benefits generated by the Codes and Standards or the APS System Savings initiatives.

Table 3
2016 Estimated Performance Incentive

Achievement Relative to DSM Goal	Performance Incentive (% of Net Benefits)	Performance Incentive Cap ($0.0125 per kWh saved)
96% to 105%	7%	562,000,000 kWh x $0.0125
Net Benefits (Prior to PI, Codes & Standards, System Savings)	$43,279,773	
Performance Incentive	$3,029,584	$7,025,000

Notes:

[1]The Performance Incentive methodology/calculation was approved in Decision No. 69663 and was modified in Decision No. 71448 and Decision No. 74406.